

From: PUC
Sent: Friday, January 17, 2014 9:44 AM
To: [REDACTED]
Subject: FW: BHP storm money

Mr. Dennison:

Thank you for your message regarding Black Hills Power's October storm-related costs. The Public Utilities Commission approved BHP's request for deferred accounting for expenses from storm Atlas during last week's commission meeting for docket EL13-036. The approval applies to the interim accounting of these storm expenses, allowing BHP to set aside these expenses for accounting purposes so they may be reviewed for possible recovery during a rate case. The commission's approval of this accounting method does not mean approval of the costs. The commission will review these separate expenses during the next BHP rate case to determine if any are reasonable and allowable by law for rate recovery.

The company is expected to file their next rate case this spring. Only those expenses that meet these standards will become part of the company's rates for the period of time approved in that case.

You mention that storm costs should be costs of doing business for BHP. However, BHP is a public utility and it must operate within specific laws that govern it and which the PUC must follow in regulating it. This includes the review and allowance of reasonable, just costs to operate the utility – costs allowed to be passed on to customers. The PUC cannot simply say no to any rate increase the utility requests to implement, regardless of justification or need. The law lays out limitations under which a public utility must operate and the commission must regulate.

This same process applies to BHP's demolition and building of power plants. Those expenses must be borne by BHP and as authorized by law, those are appropriate and allowable expenses for the public utility. The PUC cannot simply say no, we won't consider or approve that cost. We must thoroughly analyze and determine what expenses are reasonable and just under state law and must be paid for by the customers for which the plants provide power.

A rate case takes approximately a year to be completed, from initial filing by the company to the commission's decision. Along the way, many documents and spreadsheets are analyzed, many questions and requests for additional data are asked of company officials for further investigation by commissioners and staff. Commissioners must ultimately make decisions within the boundaries of federal and state laws that govern utilities and regulators. When BHP does file its next rate case, I can assure you that commissioners and staff will carefully scrutinize costs and justifications.

I agree with your dislike for increased costs. However, the commission must carry out its legal obligations regardless of our personal dislike for increased rates for you or any South Dakotan. I will see that your comment is added to the EL13-036 docket.

Chairman Gary Hanson
South Dakota Public Utilities Commission
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